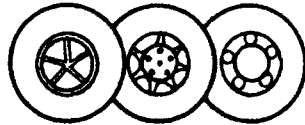


BATTLE CREEK AREA TRANSPORTATION STUDY



BCATS

Springfield, Michigan

FINANCIAL STATEMENTS

**For the Year Ended
September 30, 2004**

AUDITING PROCEDURES REPORT

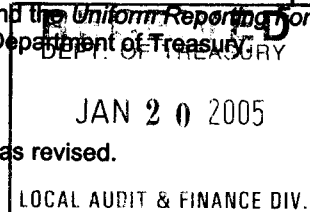
Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Battle Creek Area Transportation Study	County Calhoun
Audit Date 9/30/04	Opinion Date 11/19/04	Date Accountant Report Submitted to State: 01/13/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.



We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) REHMANN ROBSON GERALD J. DESLOOVER, CPA			
Street Address 5800 GRATIOT, PO BOX 2025	City SAGINAW	State MI	Zip 48605
Accountant Signature 			

BATTLE CREEK AREA TRANSPORTATION STUDY

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* * * * *



REHMANN ROBSON

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

November 19, 2004

Policy Committee
Battle Creek Area Transportation Study
City of Battle Creek, Michigan

We have audited the accompanying basic financial statements of the ***Battle Creek Area Transportation Study*** as of and for the year ended September 30, 2004, as listed in the table of contents. These financial statements are the responsibility of the Study's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the ***Battle Creek Area Transportation Study*** as of September 30, 2004, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Study has not presented Management's Discussion and Analysis (MD&A) as required supplementary information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be, part of the financial statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the ***Battle Creek Area Transportation Study***. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all materials respects in relation to the financial statements taken as a whole.

Rehmann Robson

FINANCIAL STATEMENTS

Battle Creek Area Transportation Study

Statement of Net Assets

September 30, 2004

Assets

Current assets:

Cash	\$ 25
Accounts receivable	3,582
Due from grantor agencies	29,304
Due from City of Battle Creek	<u>12,282</u>

Total current assets 45,193

Capital assets, net 4,551

Total assets 49,744

Liabilities

Current liabilities:

Accounts payable	6,245
Accrued payroll	3,874
Due to grantor agencies	1,366
Accrued compensated absences	<u>6,318</u>

Total liabilities 17,803

Net assets

Invested in capital assets	4,551
Unrestricted	<u>27,390</u>

Total net assets \$ 31,941

The accompanying notes are an integral part of these financial statements.

Battle Creek Area Transportation Study

Statement of Activities

For the Year Ended September 30, 2004

Program revenue - operating grants and contributions

Federal grants:

Federal Highway Administration \$ 110,631

Federal Transit Administration 24,212

State grant 8,802

Local government contributions:

City of Battle Creek 21,273

Calhoun County Road Commission 14,504

City of Springfield 2,008

Other revenue 154

Total program revenue 181,584

Expenses - transportation studies

Data collection and analysis 60,130

Long range transportation planning 18,973

Short range transportation planning 2,802

Special projects and studies 35,476

Public involvement 11,079

Program development and management 45,770

Non-grant activities 70

Total expenses 174,300

Change in net assets 7,284

Net assets, beginning of year 24,657

Net assets, end of year \$ 31,941

The accompanying notes are an integral part of these financial statements.

Battle Creek Area Transportation Study

Statement of Cash Flows

For the Year Ended September 30, 2004

Cash flows from operating activities:

Receipts from other governments	\$ 177,786
Payments to employees	(124,853)
Payments to suppliers	(52,933)

Net cash provided by operating activities

-

Cash, beginning of year

25

Cash, end of year

\$ 25

Reconciliation of operating income to net cash provided by operating activities

Operating income	\$ 7,284
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	5,230
Changes in assets and liabilities:	
Receivables	(5,164)
Due from City of Battle Creek	(12,282)
Accounts payable	1,599
Accrued expenses	4,959
Due to grantor agencies	1,366
Due to City of Battle Creek	(2,992)

Net cash provided by operating activities

\$ -

The accompanying notes are an integral part of these financial statements.

BATTLE CREEK AREA TRANSPORTATION STUDY

Notes To Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Battle Creek Area Transportation Study ("Study") is an intermunicipality committee organized under Michigan Public Act 200 of 1957. The Study's purpose is to assist in the development and preservation of a safe, effective, well-maintained, efficient, and economical transportation system for the Battle Creek metropolitan area which minimizes its negative impacts on the physical and social environments and related land use. The Study is not a component unit of any other government.

Basis of Accounting

The Study uses a single proprietary or enterprise fund to account for and report its financial activities. The financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. The Study follows private-sector standards of accounting and financial reporting issued prior to December 1, 1989, unless those standards conflict with guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Study has elected not to follow subsequent private-sector guidance.

Cash

The Study's cash consists of \$25 in petty cash on hand. The Study does not maintain its own depository accounts. The City of Battle Creek (a member government of the Study) maintains accounting records, deposits cash receipts and processes cash disbursements through the City's pooled cash accounts. The amount reported as due from City of Battle Creek at year end represents the balance of the Study's interest in the pooled cash account of the City at year end.

Capital Assets

Equipment is recorded at cost and is depreciated using the straight-line method over estimated useful lives of three to five years.

BATTLE CREEK AREA TRANSPORTATION STUDY

Notes To Financial Statements

Compensated Absences

It is the Study's policy to permit employees to accumulate earned but unused vacation leave pay benefits up to a maximum of fifteen days or the equivalent of three normal work weeks. All vacation pay is accrued when incurred since 100 percent of the unused benefits are payable upon employee separation from service with the Study.

2. DUE FROM GRANTOR AGENCIES

Amounts reported as due from grantor agencies represent the difference between costs eligible for reimbursement and the amount received to date. The details of amounts due from grantor agencies are as follows:

FHWA, Section 112	
Billed	\$ 16,341
2003 cost settlement	(786)
2004 cost settlement	<u>3,276</u>
Total FHWA, Section 112	<u>18,831</u>
FTA, Section 8	
Billed	3,263
2003 cost settlement	(197)
2004 cost settlement	<u>708</u>
Total FTA, Section 8	<u>3,774</u>
MDOT – M-Fund	
Billed	5,478
2003 cost settlement	(383)
2004 cost settlement	<u>238</u>
Total MDOT – M-Fund	<u>5,333</u>
Total due from grantor agencies, net	<u>\$ 27,938</u>

BATTLE CREEK AREA TRANSPORTATION STUDY

Notes To Financial Statements

3. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2004, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, being depreciated - Equipment	\$ 60,166	\$ -	\$ 8,781	\$ 51,385
Less accumulated depreciation for - Equipment	<u>50,385</u>	<u>5,230</u>	<u>8,781</u>	<u>46,834</u>
Capital assets, net	<u>\$ 9,781</u>	<u>\$ (5,230)</u>	<u>\$ -</u>	<u>\$ 4,551</u>

4. OPERATING LEASES

The Study leases office space from the City of Springfield (a member government of the Study) under an operating lease. The lease is a ten-year non-cancelable operating lease requiring annual payments of \$4,000 through October 2012. The following is a schedule of future minimum lease payments required under this operating lease as of September 30, 2004:

<u>Years Ending September 30</u>	<u>Amount</u>
2005	\$ 4,000
2006	4,000
2007	4,000
2008	4,000
2009	4,000
2010-2013	<u>16,000</u>
Total	<u>\$ 36,000</u>

During the year ended September 30, 2004, the Study had rent expense of \$4,000.

BATTLE CREEK AREA TRANSPORTATION STUDY

Notes To Financial Statements

5. RISK MANAGEMENT

The Study is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended September 30, 2004, the Study carried commercial insurances to cover all risks of losses. The Study has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

6. RELATED PARTY TRANSACTIONS

As discussed previously, the Study has entered into certain agreements with member governments. The two agreements are with the City of Battle Creek for accounting services and with the City of Springfield for the lease of office space. During the year ended September 30, 2004, the Study paid accounting service fees to the City of Battle Creek in the amount of \$3,300 and rent expense to the City of Springfield in the amount of \$4,000.

* * * * *

SUPPLEMENTAL SCHEDULES

Battle Creek Area Transportation Study
Schedule of Expenses by Funding Source - Budget and Actual (Continued)
For the Year Ended September 30, 2004

Work Element	Description	Federal Highway Administration				Federal Transit Administration			
		Section 112 Funds		Section 8 Funds		Section 8 Funds		Section 8 Funds	
		Project Agreement		Project Agreement		Project Agreement		Project Agreement	
		#2003-0001(Z6) (Job#73442)	Local Match	#2003-0001(Z5) (Job#73581)	Local Match	#2003-0001(Z5) (Job#73581)	Local Match	#2003-0001(Z5) (Job#73581)	Local Match
		Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
DATA COLLECTION & ANALYSIS									
1.0000	Data Collection and Analysis	\$ 42,223	\$ 34,022	\$ 9,363	\$ 7,544	\$ 7,282	\$ 5,868	\$ 1,821	\$ 1,467
1.0040	Asset Management	5,099	1,974	1,131	437	554	214	138	54
		47,322	35,996	10,494	7,981	7,836	6,082	1,959	1,521
LONG RANGE TRANSPORTATION PLANNING									
2.0428	Update the 2025 Transportation Plan	13,160	13,200	2,918	2,927	2,270	2,277	567	569
		-	-	-	-	3,004	2,242	751	560
SHORT RANGE TRANSPORTATION PLANNING									
2.0520	Short Range Transit Planning	-	-	-	-	-	-	-	-
SPECIAL PROJECTS AND STUDIES									
2.0601	Transportation Improvement Program	11,431	10,680	2,535	2,368	2,793	2,610	698	653
2.0618	Coord. with Statewide Planning	4,572	3,565	1,014	790	496	387	124	97
2.0619	Special Studies	3,854	3,489	854	774	665	602	166	150
2.0641	Safety Issues	6,123	5,562	1,358	1,233	1,496	1,359	374	340
2.0643	Freight Planning	429	462	95	103	-	-	-	-
	Subtotal	26,409	23,758	5,856	5,268	5,450	4,958	1,362	1,240
PUBLIC INVOLVEMENT									
3.0000	Public Involvement	4,220	3,477	936	771	728	600	182	150
3.0001	Transportation and Safety Education	5,503	4,230	1,220	938	949	730	237	183
	Subtotal	9,723	7,707	2,156	1,709	1,677	1,330	419	333
PROGRAM DEVELOPMENT AND MANAGEMENT									
4.0102	Prospectus and Unified Work Program	4,393	4,116	974	913	1,074	1,006	268	252
4.0103	Program Management	28,123	25,854	6,236	5,733	6,872	6,317	1,718	1,579
	Subtotal	32,516	29,970	7,210	6,646	7,946	7,323	1,986	1,831
	TOTAL	\$ 129,130	\$ 110,631	\$ 28,634	\$ 24,531	\$ 28,183	\$ 24,212	\$ 7,044	\$ 6,054

Battle Creek Area Transportation Study
Schedule of Expenses by Funding Source - Budget and Actual (Concluded)
For the Year Ended September 30, 2004

Work Element	Description	Michigan Department of Transportation							
		100% Reimbursed		100% Reimbursed		Safety		Totals	
		#2003-0005(Z3) (Proj.#MTF)		#2003-0001(Z7) (Proj.#MTF)					
		Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
DATA COLLECTION & ANALYSIS									
1.0000	Data Collection and Analysis	\$ -	\$ -	\$ -	\$ -	-	-	\$ 60,689	\$ 48,901
1.0040	Asset Management	20,000	8,550	-	-	-	-	26,922	11,229
		20,000	8,550	-	-	-	-	87,611	60,130
LONG RANGE TRANSPORTATION PLANNING									
2.0428	Update the 2025 Transportation Plan	-	-	-	-	-	-	18,915	18,973
SHORT RANGE TRANSPORTATION PLANNING									
2.0520	Short Range Transit Planning	-	-	-	-	-	-	3,755	2,802
SPECIAL PROJECTS AND STUDIES									
2.0601	Transportation Improvement Program	-	-	-	-	-	-	17,457	16,311
2.0618	Coord. with Statewide Planning	-	-	-	-	-	-	6,206	4,839
2.0619	Special Studies	-	-	-	-	-	-	5,539	5,015
2.0641	Safety Issues	-	-	-	252	1,500	-	10,851	8,746
2.0643	Freight Planning	-	-	-	-	-	-	524	565
	Subtotal	-	-	1,500	252	-	-	40,577	35,476
PUBLIC INVOLVEMENT									
3.0000	Public Involvement	-	-	-	-	-	-	6,066	4,998
3.0001	Transportation and Safety Education	-	-	-	-	-	-	7,909	6,081
	Subtotal	-	-	-	-	-	-	13,975	11,079
PROGRAM DEVELOPMENT AND MANAGEMENT									
4.0102	Prospectus and Unified Work Program	-	-	-	-	-	-	6,709	6,287
4.0103	Program Management	-	-	-	-	-	-	42,949	39,483
	Subtotal	-	-	-	-	-	-	49,658	45,770
	TOTAL	\$ 20,000	\$ 8,550	\$ 1,500	\$ 252	\$ -	\$ -	\$ 214,491	\$ 174,230

Battle Creek Area Transportation Study

Schedule of Allowable Costs

(exclusive of costs provided by local governments)

For the Year Ended September 30, 2004

	<u>Direct</u>	<u>Indirect</u>	<u>Total</u>
Salaries and wages	\$ 54,470	\$ 27,534	\$ 82,004
Fringe benefits	31,756	16,052	47,808
Office supplies	-	2,266	2,266
Printing and copying	-	480	480
Postage	-	394	394
Membership and subscriptions	-	322	322
Professional services	-	2,432	2,432
Bookkeeping services	-	3,300	3,300
Training and travel	-	2,963	2,963
Communications	-	2,407	2,407
Insurance and bonds	-	4,569	4,569
Office equipment maintenance	-	1,518	1,518
Rent	-	4,000	4,000
Depreciation	-	5,230	5,230
	<u>\$ 86,226</u>	<u>\$ 73,467</u>	<u>\$ 159,693</u>
Other direct costs	<u>\$ 2,900</u>		
Indirect costs as a percentage of direct payroll and fringe benefits		<u>85.203%</u>	
Fringe benefits as a percentage of salaries and wages			<u>58.300%</u>
Fringe benefit detail			
Vacation, sick and holidays	\$ 8,521	\$ 4,308	\$ 12,829
Social security and Medicare	5,044	2,550	7,594
Retirement contribution	9,991	5,050	15,041
Health and welfare	7,594	3,838	11,432
Workers' compensation and unemployment	606	306	912
	<u>\$ 31,756</u>	<u>\$ 16,052</u>	<u>\$ 47,808</u>



REHMANN ROBSON

Certified Public Accountants

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November 19, 2004

To the Policy Committee of the
Battle Creek Area Transportation Study
Springfield, Michigan

We have audited the financial statements of the *Battle Creek Area Transportation Study* as of and for the year ended September 30, 2004, and have issued our report thereon dated November 19, 2004. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Generally Accepted Auditing Standards

As stated in our engagement letter dated November 8, 2004, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

In planning and performing our audit, we considered the Study's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Study are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Study during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets – i.e., the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated the key factors and assumptions used to develop the useful lives of those assets in determining that they are reasonable in relation to the financial statements taken as a whole.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. The Study has posted all journal entries that we have identified as significant, and their effect is included in the Study's financial statements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Study's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing our audit.

This letter and the accompanying memorandum are intended for the use of the Policy Committee and management of the Battle Creek Area Transportation Study. However, this report is a matter of public record and its distribution is not limited.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Lehmann Lohman".